

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Ortiz Analyst: Darrine Distefano Bill Number: SB 75XX

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 08-21-2001

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Energy Efficient Products or Equipment Loan Interest Deduction

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended July 3, 2001.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED July 3, 2001

☒ STILL APPLIES.

OTHER - See comments below.

## SUMMARY

This bill would allow a deduction for interest paid on any loan or financed indebtedness from a utility company to purchase energy efficient equipment and products for California residences.

## SUMMARY OF AMENDMENT

The August 21, 2001, amendments will do the following:

- \* Require a publicly owned utility company to issue a federal income tax form that will notify its customers of the interest that can be deducted under this bill.
- \* Specify that the deduction is in lieu of any credit for interest paid for the purchase of energy efficient equipment and products.
- \* Add legislative intent language to inquire with the Internal Revenue Service (IRS) that the loan program administered by the Sacramento Municipal Utility District (SMUD) would qualify for an interest deduction under federal law and regulations.

The amendments do not resolve the department's technical consideration with respect to the bill as amended July 3, 2001, and creates a new concern. Accordingly, the unresolved technical considerations are provided below for convenience. The remainder of the department's analysis of the bill as amended July 3, 2001, still applies.

Board Position:

<input checked="" type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

09/13/01

## **POSITION**

Support.

At its June 27, 2001 meeting, the Franchise Tax Board voted 2-0 to support this bill, with Annette Porini, on behalf of Member B. Timothy Gage, abstaining.

## **TECHNICAL CONSIDERATIONS**

The requirement for a public utility to issue a federal income tax Form 1098 would be inappropriate. State law cannot prescribe the use of a federal form. A federal Form 1098 is used to report \$600 or more of mortgage interest received during the year. The author may wish to amend the bill to delete the requirement to issue a Form 1098 and retain provisions to have the public utility issue a form similar to the Form 1098. In addition, this reporting requirement would be more appropriately located in the Administration of Franchise and Income Tax (AFTIL) with other reporting requirements. Department staff is available to work with the author's office to assist with drafting language for this requirement.

The language in the bill encouraging public utilities to notify their customers about the interest deduction provided by the bill or provided on a home equity or home improvement loan may be more appropriately located in the Public Utilities Code.

## **LEGISLATIVE STAFF CONTACT**

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